

CITY OF HUXLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

CITY OF HUXLEY, IOWA

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CITY OF HUXLEY, IOWA

OFFICIALS
JUNE 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nels Nord	Mayor	January 2012
Craig Henry	Mayor Pro Tem	January 2014
Marge Nerness	Council Member	January 2014
Scott Wilson	Council Member	January 2014
Don Brendeland	Council Member	January 2012
Mark Baker	Council Member	January 2012
John Haldeman	City Administrator	Indefinite
Justin Moore	City Clerk	Indefinite
John Hendricks	City Treasurer	January 2012
Amy Beattie	City Attorney	January 2012
Gabe Nelson	City Engineer	January 2012



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Huxley, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2011 on our consideration of the City of Huxley, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley, Iowa's basic financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
February 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Huxley, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 79.77%, or approximately \$8.8 million, from fiscal 2009 to fiscal 2010. Charges for service increased approximately \$248,000, property and other city taxes increased approximately \$251,000, bond proceeds increased approximately \$8.2 million and other general receipts decreased approximately \$236,000.
- Disbursements of the City's governmental activities increased by 100.86%, or approximately \$7.4 million, from fiscal 2009 to fiscal 2010. Capital projects disbursements increased approximately \$7.5 million. The majority of this increase is due to construction of the Waste Water Facility.
- The City's total cash basis net assets increased 57.92%, or approximately \$5.3 million from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities increased approximately \$6.8 million and the net assets of the business type activities decreased by approximately \$1.5 million.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Receipts by Source and Disbursements by Function provides comparative detail of the City's receipts and disbursements.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The City also maintains one nonmajor Enterprise Fund to account for meter deposits.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balances for governmental activities increased from a year ago, from approximately \$6.5 million to approximately \$13.3 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for service	\$ 469,529	\$ 221,375
Operating grants, contributions and restricted interest	691,344	478,777
General receipts:		
Property and other city tax	2,442,191	1,972,011
Local option sales tax	314,546	338,746
Unrestricted interest on investments	7,771	103,454
Bond proceeds	15,774,365	7,549,587
Other general receipts	<u>129,117</u>	<u>365,952</u>
Total receipts	<u>19,828,863</u>	<u>11,029,902</u>
Disbursements:		
Public safety	490,676	465,675
Public works	273,784	296,437
Health and social services	6,444	9,178
Culture and recreation	522,903	555,495
Community and economic development	853,009	285,585
General government	331,736	328,393
Debt services	2,965,121	3,577,542
Capital projects	<u>9,359,577</u>	<u>1,851,598</u>
Total disbursements	<u>14,803,250</u>	<u>7,369,903</u>
Change in cash basis net assets before transfers	5,025,613	3,659,999
Transfers, net	<u>1,800,000</u>	<u>-</u>
Change in cash basis net assets	6,825,613	3,659,999
Cash basis net assets beginning of year	<u>6,484,343</u>	<u>2,824,344</u>
Cash basis net assets end of year	\$ <u>13,309,956</u>	\$ <u>6,484,343</u>

The City's total receipts for governmental activities increased by 79.77%, or approximately \$8.8 million. The total cost of all programs and services increased by approximately \$7.4 million, or 100.86%, with no new programs added this year. The significant increase in receipts was primarily the result of several bonds issued in the current year due to various community development projects including the construction of the Waste Water Facility.

The cost of all governmental activities this year was approximately \$14.8 million compared to approximately \$7.4 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10 and 11, the amount taxpayers ultimately financed for these activities was only approximately \$13.6 million because some of the cost was paid by those directly benefited from the programs \$469,000 or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$691,000. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2010 from approximately \$700,000 to \$1.2 million, primarily due to additional services completed and additional funding obtained from grants, contributions and other sources in connection with the City's various capital projects. The City paid for the remaining "public benefit" portion of governmental activities approximately \$13.6 million with tax (some of which could only be used for certain programs), proceeds from long-term debt, and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 502,711	\$ 499,488
Sewer	647,241	729,371
Operating grants, contributions and restricted interest	-	39,287
General receipts:		
Unrestricted interest on investments	29,014	26,767
Miscellaneous	13,020	12,070
Total receipts	<u>1,191,986</u>	<u>1,306,983</u>
Disbursements:		
Water	476,526	474,550
Sewer	395,226	315,639
Total disbursements	<u>871,752</u>	<u>790,189</u>
Change in cash basis net assets before transfers	320,234	516,794
Transfers, net	<u>(1,800,000)</u>	<u>-</u>
Change in cash basis net assets	(1,479,766)	516,794
Cash basis net assets beginning of year	<u>2,746,053</u>	<u>2,229,259</u>
Cash basis net assets end of year	\$ <u>1,266,287</u>	\$ <u>2,746,053</u>

Total business type activities receipts for the fiscal year were \$1,191,986 compared to \$1,306,983 in the prior year. Total disbursements for the fiscal year increased by 10.3%, to \$871,752.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Huxley, Iowa completed the year, its governmental funds reported a combined fund balance of \$13,309,956, an increase of more than \$6.8 million from last year's total of \$6,484,343. The following are the major reasons for significant changes in fund balances of the major funds from the prior year.

- The Debt Service Fund cash balance decreased \$534,287 to \$50,000 during the fiscal year. The decrease was primarily due to a decrease in property tax collected and an increase in bond principal and interest payments of approximately \$612,000 during fiscal year 2010.
- The Regency Fund was established in fiscal year 2010 to account for costs associated with relocation, demolition and moving expenses of residents being relocated. This fund increased to a fund balance of \$3,338,451 which was primarily the result of issuance of debt in the amount of \$3.6 million during the fiscal year.
- The Capital Projects Fund cash balance increased by approximately \$4.2 million to \$7,596,363. This increase was primarily due to the result of issuance of debt of approximately \$5 million during the fiscal year. The City intends to use this money to fund various City capital improvement projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$46,771 to \$915,266, which is consistent with the prior year. The City is attempting to build up cash reserves to pay for future repairs, improvements and capital expenditures.
- The Sewer Fund cash balance decreased by \$1,527,672 to \$314,993. This decrease is due primarily to the transfer of funds to Waste Water Facility fund to help pay for this project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 25, 2010 and resulted in an increase in public safety, culture and recreation, community and economic development, general government, debt service and capital projects disbursements. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$30,528,000 in bonds and other long-term debt outstanding, compared to \$16,364,000 last year, as shown below.

Outstanding Debt at Year End

	June 30, <u>2010</u>	June 30, <u>2009</u>
General Obligation Bonds:		
Water Improvement Bond - Series 2003	\$ 334,000	\$ 357,000
Refunding Bonds - Series 2004	-	1,840,000
Refunding Bonds - Series 2010A	1,435,000	-
Corporate Purpose Bonds - Series 2006	100,000	120,000
Corporate Purpose Bonds - Series 2006	6,175,000	6,475,000
Corporate Purpose Bonds - Series 2009	5,720,000	5,800,000
Corporate Purpose Bonds - Series 2010B	310,000	-
Corporate Purpose Bonds - Series 2010C	2,145,000	-
Corporate Purpose Bonds - Series 2010D	<u>6,295,000</u>	<u>-</u>
Total	<u>22,514,000</u>	<u>14,592,000</u>
Water Revenue Bonds - Series 2002	1,214,000	1,297,000
Sewer Revenue Bonds - Series 2009	6,325,000	-
Sewer Interim Loan	<u>475,000</u>	<u>475,000</u>
Grand Total	\$ <u>30,528,000</u>	\$ <u>16,364,000</u>

Debt increased as a result of issuing revenue and general obligation bonds for a Waste Water Treatment Facility among other various community development projects.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Huxley, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 5.4%, versus 5.0% a year ago. This compares with the State's unemployment rate of 6.8% and the national rate of 9.6%.

Inflation in the State was slightly higher than the national Consumer Price Index increase. The State's CPI increase was 2.6% for fiscal year 2010 compared with the national rate increase of 2.3%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$9,413,944, a decrease of 39.94% from the final 2010 budget. Budgeted disbursements and transfers are expected to decrease by approximately \$6.3 million primarily due to less capital project expenditures expected in fiscal year 2011. The City has added no major new programs or initiatives to the 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$226,000 by the close of fiscal year 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Justin Moore, City Clerk, 515 North Main Avenue, Huxley, Iowa 50124.

BASIC FINANCIAL STATEMENTS

CITY OF HUXLEY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Public safety	\$ 490,676	\$ 182,128	\$ -
Public works	273,784	2,897	279,289
Health and social services	6,444	-	2,498
Culture and recreation	522,903	94,652	7,400
Community and economic development	853,009	189,702	381,861
General government	331,736	150	15,785
Debt service	2,965,121	-	4,511
Capital projects	9,359,577	-	-
Total governmental activities	14,803,250	469,529	691,344
Business type activities:			
Water	464,641	489,691	-
Sewer	395,226	647,241	-
Other business type activities	11,885	13,020	-
Total business type activities	871,752	1,149,952	-
Total	\$ 15,675,002	\$ 1,619,481	\$ 691,344
General receipts:			
Property and other City tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Net transfers			
Miscellaneous			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets:			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Unrestricted			
Total cash basis net assets			

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (308,548)	\$ -	\$ (308,548)
8,402	-	8,402
(3,946)	-	(3,946)
(420,851)	-	(420,851)
(281,446)	-	(281,446)
(315,801)	-	(315,801)
(2,960,610)	-	(2,960,610)
(9,359,577)	-	(9,359,577)
<u>(13,642,377)</u>	<u>-</u>	<u>(13,642,377)</u>
-	25,050	25,050
-	252,015	252,015
-	1,135	1,135
<u>-</u>	<u>278,200</u>	<u>278,200</u>
<u>(13,642,377)</u>	<u>278,200</u>	<u>(13,364,177)</u>
522,455	-	522,455
1,809,929	-	1,809,929
109,807	-	109,807
314,546	-	314,546
7,771	29,014	36,785
15,774,365	-	15,774,365
1,800,000	(1,800,000)	-
129,117	13,020	142,137
<u>20,467,990</u>	<u>(1,757,966)</u>	<u>18,710,024</u>
6,825,613	(1,479,766)	5,345,847
<u>6,484,343</u>	<u>2,746,053</u>	<u>9,230,396</u>
\$ <u>13,309,956</u>	\$ <u>1,266,287</u>	\$ <u>14,576,243</u>
\$ 270,478	\$ -	\$ 270,478
1,480,868	-	1,480,868
50,000	-	50,000
<u>11,508,610</u>	<u>1,266,287</u>	<u>12,774,897</u>
\$ <u>13,309,956</u>	\$ <u>1,266,287</u>	\$ <u>14,576,243</u>

CITY OF HUXLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Special Revenue		Capital Projects
	General	Tax Increment Financing	Debt Service	Wastewater Facility Project
				Regency Fund
<u>RECEIPTS:</u>				
Property tax	\$ 355,801	\$ -	\$ 109,807	\$ -
Tax increment financing	-	1,809,929	-	-
Other City tax	127,337	-	-	-
Licenses and permits	102,388	-	-	-
Use of money and property	25,735	13,416	-	-
Intergovernmental	110,211	-	4,511	-
Charges for service	182,824	-	-	-
Miscellaneous	161,465	45,089	-	-
Total receipts	<u>1,065,761</u>	<u>1,868,434</u>	<u>114,318</u>	<u>-</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public safety	490,676	-	-	-
Public works	53,424	-	-	-
Health and social services	6,444	-	-	-
Culture and recreation	522,903	-	-	-
Community and economic development	134,216	523,827	-	-
General government	330,056	1,680	-	-
Debt service	-	-	2,965,121	-
Capital projects	-	-	-	7,922,842
Total disbursements	<u>1,537,719</u>	<u>525,507</u>	<u>2,965,121</u>	<u>811,549</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(471,958)</u>	<u>1,342,927</u>	<u>(2,850,803)</u>	<u>(7,922,842)</u>
Other financing sources (uses):				
Transfers in	314,546	-	903,356	2,300,000
Transfers out	-	(1,408,573)	-	-
Issuance of debt	-	-	1,413,160	5,786,700
Total other financing sources (uses)	<u>314,546</u>	<u>(1,408,573)</u>	<u>2,316,516</u>	<u>8,086,700</u>
Net change in cash balances	(157,412)	(65,646)	(534,287)	163,858
<u>CASH BALANCES</u> - Beginning of year	<u>676,661</u>	<u>1,546,514</u>	<u>584,287</u>	<u>(768,421)</u>
<u>CASH BALANCES</u> - End of year	<u>\$ 519,249</u>	<u>\$ 1,480,868</u>	<u>\$ 50,000</u>	<u>\$ (604,563)</u>
<u>Cash Basis Fund Balances:</u>				
Reserved:				
Debt service	\$ -	\$ -	\$ 50,000	\$ -
Unreserved:				
General fund	519,249	-	-	-
Special revenue funds	-	1,480,868	-	-
Capital projects funds	-	-	-	(604,563)
Total cash basis fund balances	<u>\$ 519,249</u>	<u>\$ 1,480,868</u>	<u>\$ 50,000</u>	<u>\$ (604,563)</u>

EXHIBIT B

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 39,317	\$ 504,925
-	-	1,809,929
-	314,546	441,883
-	-	102,388
30,698	50,689	120,538
-	275,502	390,224
-	-	182,824
-	295,233	501,787
<u>30,698</u>	<u>975,287</u>	<u>4,054,498</u>
-	-	490,676
-	220,360	273,784
-	-	6,444
-	-	522,903
-	194,966	853,009
-	-	331,736
-	-	2,965,121
<u>22,695</u>	<u>602,491</u>	<u>9,359,577</u>
<u>22,695</u>	<u>1,017,817</u>	<u>14,803,250</u>
<u>8,003</u>	<u>(42,530)</u>	<u>(10,748,752)</u>
300,000	446,520	4,814,422
(1,041,303)	(564,546)	(3,014,422)
<u>4,974,505</u>	<u>-</u>	<u>15,774,365</u>
<u>4,233,202</u>	<u>(118,026)</u>	<u>17,574,365</u>
4,241,205	(160,556)	6,825,613
<u>3,355,158</u>	<u>1,090,144</u>	<u>6,484,343</u>
\$ <u>7,596,363</u>	\$ <u>929,588</u>	\$ <u>13,309,956</u>
\$ -	\$ -	\$ 50,000
-	-	519,249
-	614,455	2,095,323
<u>7,596,363</u>	<u>315,133</u>	<u>10,645,384</u>
\$ <u>7,596,363</u>	\$ <u>929,588</u>	\$ <u>13,309,956</u>

CITY OF HUXLEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Funds</u>		<u>Other Nonmajor Meter Deposits</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>		
<u>Operating receipts:</u>				
Permits	\$ 7,000	\$ 6,020	\$ -	\$ 13,020
Charges for service	478,950	640,492	-	1,119,442
Miscellaneous	16,761	729	13,020	30,510
Total operating receipts	<u>502,711</u>	<u>647,241</u>	<u>13,020</u>	<u>1,162,972</u>
<u>Operating disbursements:</u>				
Business type activities	<u>339,488</u>	<u>395,226</u>	<u>11,885</u>	<u>746,599</u>
Excess of operating receipts over operating disbursements	<u>163,223</u>	<u>252,015</u>	<u>1,135</u>	<u>416,373</u>
<u>Non-operating receipts (disbursements):</u>				
Interest on investments	8,701	20,313	-	29,014
Debt service	<u>(125,153)</u>	<u>-</u>	<u>-</u>	<u>(125,153)</u>
Total non-operating receipts (disbursements)	<u>(116,452)</u>	<u>20,313</u>	<u>-</u>	<u>(96,139)</u>
Excess of receipts over disbursements	<u>46,771</u>	<u>272,328</u>	<u>1,135</u>	<u>320,234</u>
<u>Other financing uses:</u>				
Transfers out	<u>-</u>	<u>(1,800,000)</u>	<u>-</u>	<u>(1,800,000)</u>
Total other financing uses	<u>-</u>	<u>(1,800,000)</u>	<u>-</u>	<u>(1,800,000)</u>
Net change in cash balances	46,771	(1,527,672)	1,135	(1,479,766)
<u>CASH BALANCES - Beginning of year</u>	<u>868,495</u>	<u>1,842,665</u>	<u>34,893</u>	<u>2,746,053</u>
<u>CASH BALANCES - End of year</u>	\$ <u>915,266</u>	\$ <u>314,993</u>	\$ <u>36,028</u>	\$ <u>1,266,287</u>
<u>Cash Basis Fund Balances</u>				
Unreserved	\$ <u>915,266</u>	\$ <u>314,993</u>	\$ <u>36,028</u>	\$ <u>1,266,287</u>
Total cash basis fund balances	\$ <u>915,266</u>	\$ <u>314,993</u>	\$ <u>36,028</u>	\$ <u>1,266,287</u>

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley, Iowa is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Huxley, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E-911 Service Board and Story County Emergency Management Commission. The City also participates in the Ames Story County Affordable Housing Partnership, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. Additionally, the City has a Chapter 28E agreement with the Ballard Community School district to operate the 3Cs Community Center. See Note 7 for additional explanation.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by property and other city tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

Debt Service

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects

The Wastewater Facility Project Fund is used to account for the construction costs of this project.

The Regency Fund is used to account for costs associated with relocation, demolition and moving expenses of residents being relocated.

The Capital Projects Fund is used to account for the construction costs applicable for infrastructure costs for the new high school.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Huxley, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

The proprietary funds of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2010 are as follows:

	Carrying Amount	Market Value
U.S. Savings Bonds	\$ <u>15,060</u>	\$ <u>15,060</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		State Revolving Fund Revenue Bonds		Total	
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest
2011	\$ 1,078,000	\$ 938,196	\$ 226,000	\$ 225,195	\$ 1,304,000	\$ 1,163,391
2012	1,199,000	940,463	233,000	219,540	1,432,000	1,160,003
2013	1,335,000	906,451	241,000	212,550	1,576,000	1,119,001
2014	1,216,000	865,458	249,000	205,320	1,465,000	1,070,778
2015	1,271,000	817,133	256,000	197,850	1,527,000	1,014,983
2016	1,322,000	764,956	259,000	190,170	1,581,000	955,126
2017	1,398,000	708,356	267,000	182,400	1,665,000	890,756
2018	1,494,000	646,363	275,000	174,390	1,769,000	820,753
2019	1,535,000	578,578	283,000	166,140	1,818,000	744,718
2020	1,631,000	508,227	292,000	157,650	1,923,000	665,877
2021	1,737,000	433,233	305,000	148,890	2,042,000	582,123
2022	3,248,000	351,828	313,000	139,740	3,561,000	491,568
2023	1,090,000	196,186	200,000	130,350	1,290,000	326,536
2024	1,140,000	144,386	205,000	124,350	1,345,000	268,736
2025	1,190,000	89,660	210,000	118,200	1,400,000	207,860
2026	630,000	31,515	220,000	111,900	850,000	143,415
2027	-	-	225,000	105,300	225,000	105,300
2028	-	-	230,000	98,550	230,000	98,550
2029	-	-	240,000	91,650	240,000	91,650
2030	-	-	245,000	84,450	245,000	84,450
2031	-	-	255,000	77,100	255,000	77,100
2032	-	-	260,000	69,450	260,000	69,450
2033	-	-	270,000	61,650	270,000	61,650
2034	-	-	275,000	53,550	275,000	53,550
2035	-	-	285,000	45,300	285,000	45,300
2036	-	-	295,000	36,750	295,000	36,750
2037	-	-	300,000	27,900	300,000	27,900
2038	-	-	310,000	18,900	310,000	18,900
2039	-	-	315,000	9,600	315,000	9,600
Total	\$ 22,514,000	\$ 8,920,986	\$ 7,539,000	\$ 3,484,785	\$ 30,053,000	\$ 12,405,771

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,816,000 in water revenue bonds issued in February 2002. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,463,360. For the current year, principal and interest paid and total customer net receipts were \$121,910 and \$163,223, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,325,000 in sewer revenue bonds issued in June 2010. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. The notes are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$9,560,425. For the current year, principal and interest paid and total customer net receipts were \$105,880 and \$252,015, respectively.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Revenue Bonds (Continued)

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. The water and sewer systems shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.
- d. All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

There was a 6.65 million G.O. corporate purpose general obligation bond issued October 15, 2006. This bond is subject to an annual budget appropriation. As of June 30, 2010, the balance on this bond was \$6,175,000, which is included in the above total.

In addition, on March 7, 2008, the City of Huxley, Iowa entered into a Sewer Revenue Loan and disbursement agreement authorizing an interim financing loan for \$475,000 to fund construction improvements and extension to the sewer utility project. This interim loan has a zero percent interest rate. The City has three years from the date of issuance to pay back this interim loan.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$64,620, \$60,334, and \$57,104, respectively, equal to the required contributions for each year.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 12.5% for 10 years, 25% after 15 years, and 50% after 25 years of full-time employment and if the employee has not been terminated by the City with cause. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 48,519
Compensatory time	1,445
Sick leave	<u>52,535</u>
Total	\$ <u>102,499</u>

Sick leave is payable when used or, after an employment period of at least ten (10) years, upon termination, retirement or death.

This liability has been computed based on rates of pay in effect at June 30, 2010.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 314,546
Special Revenue: LMI	Special Revenue: Tax Increment Financing	143,441
Debt Service	Special Revenue: Tax Increment Financing	903,356
Capital Projects: Wastewater Facility	Capital Projects: Capital Projects	500,000
Wastewater Facility	Proprietary: Sewer Utility	1,800,000
Heart of Iowa Trail	Capital Projects: Capital Projects	233
Street Construction and Repair	Capital Projects: Capital Projects	5,714
Safe Room Project	Special Revenue: Tax Increment Financing	61,776
Trail Ridge Park	Capital Projects: Capital Projects	20,362
Sports Complex	Capital Projects: Capital Projects	146,954
SE Annexation Project	Capital Projects: Capital Projects	68,040
Regency Fund	Special Revenue: LMI	250,000
Regency Fund	Capital Projects: Capital Projects	300,000
Capital Projects	Special Revenue: Tax Increment Financing	<u>300,000</u>
Total		\$ <u>4,814,422</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: COMMITMENTS

In 1996, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants. The City's share is presently 3.24% of the total and the payment for the year ended June 30, 2010 was \$24,318.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate.

The City is in the process of building a new waste water treatment plant for an estimated \$9 million. This project will be paid from an increase in rates, bond proceeds, and cash on hand.

The City has also committed to the following projects:

<u>Project</u>	<u>Estimated Cost</u>
Saferoom Project	\$ 2,000,000
Centennial Drive Extension	1,700,000
Regency Mobile Home Relocation	4,000,000

NOTE 8: ECONOMIC DEVELOPMENT

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

The City entered into the following loan agreement in which the borrower has applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loan were considered disbursements in the tax increment financing fund in the appropriate fiscal years. These are forgivable loans which do not have to be paid back if all requirements are met.

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount Expended</u>
Hillebrand LLC	October 27, 2009	\$ <u>45,000</u>

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFICIT BALANCES

The Wastewater Facility Project Fund had a deficit balance of \$604,563 at June 30, 2010, which will be eliminated upon the receipt of loan proceeds. The HDC Expansion and Larson Dr. By-pass Sewer non-major capital project funds also had deficit balances at June 30, 2010 of \$253,632 and \$255,370, respectively. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources including TIF taxes, bond proceeds, donations and funds on hand.

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUXLEY, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 504,925	\$ -	\$ 504,925
Tax increment financing	1,809,929	-	1,809,929
Other City tax	441,883	-	441,883
License and permits	102,388	13,020	115,408
Use of money and property	120,538	29,014	149,552
Intergovernmental	390,224	-	390,224
Charges for service	182,824	1,119,442	1,302,266
Miscellaneous	501,787	30,510	532,297
Total receipts	<u>4,054,498</u>	<u>1,191,986</u>	<u>5,246,484</u>
<u>DISBURSEMENTS:</u>			
Public safety	490,676	-	490,676
Public works	273,784	-	273,784
Health and social services	6,444	-	6,444
Culture and recreation	522,903	-	522,903
Community and economic development	853,009	-	853,009
General government	331,736	-	331,736
Debt service	2,965,121	-	2,965,121
Capital projects	9,359,577	-	9,359,577
Business type activities	-	871,752	871,752
Total disbursements	<u>14,803,250</u>	<u>871,752</u>	<u>15,675,002</u>
Excess (deficiency) of receipts over (under) disbursements	(10,748,752)	320,234	(10,428,518)
Other financing sources (uses), net	<u>17,574,365</u>	<u>(1,800,000)</u>	<u>15,774,365</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,825,613	(1,479,766)	5,345,847
<u>BALANCES</u> - Beginning of year	<u>6,484,343</u>	<u>2,746,053</u>	<u>9,230,396</u>
<u>BALANCES</u> - End of year	\$ <u>13,309,956</u>	\$ <u>1,266,287</u>	\$ <u>14,576,243</u>

Budgeted Amounts		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 464,592	\$ 464,592	\$ 40,333
1,843,761	1,843,761	(33,832)
441,256	441,256	627
55,400	55,400	60,008
57,400	57,400	92,152
475,224	6,725,224	(6,335,000)
1,253,560	1,253,560	48,706
<u>80,150</u>	<u>80,150</u>	<u>452,147</u>
<u>4,671,343</u>	<u>10,921,343</u>	<u>(5,674,859)</u>
412,267	522,267	31,591
322,025	322,025	48,241
9,975	9,975	3,531
517,645	594,895	71,992
702,746	901,746	48,737
300,940	402,639	70,903
1,275,425	1,682,925	(1,282,196)
4,400,000	12,600,000	3,240,423
<u>856,500</u>	<u>856,500</u>	<u>409,684</u>
<u>8,797,523</u>	<u>17,892,972</u>	<u>2,642,906</u>
(4,126,180)	(6,971,629)	(3,031,953)
<u>4,475,525</u>	<u>7,568,025</u>	<u>8,206,340</u>
349,345	596,396	5,174,387
<u>5,421,905</u>	<u>3,270,167</u>	<u>5,960,229</u>
\$ <u>5,771,250</u>	\$ <u>3,866,563</u>	\$ <u>11,134,616</u>

CITY OF HUXLEY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$9,095,449. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>					
	<u>Employee</u> <u>Benefits</u>	<u>Road</u> <u>Use</u> <u>Tax</u>	<u>Trust</u> <u>and</u> <u>Agency</u>	<u>Local</u> <u>Option</u> <u>Sales</u> <u>Tax</u>	<u>LMI</u>	<u>Regency</u> <u>Development</u>
<u>RECEIPTS:</u>						
Property Taxes	\$ 39,317	\$ -	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	314,546	-	-
Use of money and property	-	-	-	-	2,498	42,480
Intergovernmental	-	275,502	-	-	-	-
Miscellaneous	-	2,897	-	-	292,336	-
Total receipts	<u>39,317</u>	<u>278,399</u>	<u>-</u>	<u>314,546</u>	<u>294,834</u>	<u>42,480</u>
<u>DISBURSEMENTS:</u>						
Operating:						
Public works	-	220,360	-	-	-	-
Community and economic development	-	-	-	-	166,164	28,802
Capital projects	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>220,360</u>	<u>-</u>	<u>-</u>	<u>166,164</u>	<u>28,802</u>
Excess (deficiency) of receipts over (under) disbursements	<u>39,317</u>	<u>58,039</u>	<u>-</u>	<u>314,546</u>	<u>128,670</u>	<u>13,678</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	143,441	-
Transfers out	-	-	-	(314,546)	(250,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314,546)</u>	<u>(106,559)</u>	<u>-</u>
Net change in cash balances	39,317	58,039	-	-	22,111	13,678
<u>CASH BALANCES - Beginning of year</u>	<u>1,478</u>	<u>212,439</u>	<u>319</u>	<u>-</u>	<u>267,074</u>	<u>-</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 40,795</u>	<u>\$ 270,478</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 289,185</u>	<u>\$ 13,678</u>
<u>Cash Basis Fund Balances:</u>						
Unreserved:						
Special revenue funds	\$ 40,795	\$ 270,478	\$ 319	\$ -	\$ 289,185	\$ 13,678
Capital project funds	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 40,795</u>	<u>\$ 270,478</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 289,185</u>	<u>\$ 13,678</u>

SCHEDULE 1

Capital Projects

<u>Street Construction and Repair</u>	<u>Centennial Park</u>	<u>HDC Expansion</u>	<u>Oak/Main</u>
\$ -	\$ -	\$ -	\$ -
888	-	-	2,899
-	-	-	-
<u>888</u>	<u>-</u>	<u>-</u>	<u>2,899</u>
-	-	-	-
42,801	-	-	922
<u>42,801</u>	<u>-</u>	<u>-</u>	<u>922</u>
(41,913)	-	-	1,977
5,714	-	-	-
<u>5,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
(36,199)	-	-	1,977
<u>157,273</u>	<u>12,898</u>	<u>(253,632)</u>	<u>327,422</u>
\$ <u>121,074</u>	\$ <u>12,898</u>	\$ <u>(253,632)</u>	\$ <u>329,399</u>
\$ -	\$ -	\$ -	\$ -
<u>121,074</u>	<u>12,898</u>	<u>(253,632)</u>	<u>329,399</u>
\$ <u>121,074</u>	\$ <u>12,898</u>	\$ <u>(253,632)</u>	\$ <u>329,399</u>

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Capital Projects</u>				
	<u>SE</u> <u>Annexation</u> <u>Project</u>	<u>Grocery</u> <u>Store</u>	<u>Nord</u> <u>Kalsem Shelter</u> <u>Project</u>	<u>Safe Room</u> <u>Project</u>	<u>Heart</u> <u>of Iowa</u> <u>Trail</u>
<u>RECEIPTS:</u>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	-	-
Use of money and property	1,398	322	204	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>1,398</u>	<u>322</u>	<u>204</u>	<u>-</u>	<u>-</u>
<u>DISBURSEMENTS:</u>					
Operating:					
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital projects	<u>68,297</u>	<u>-</u>	<u>8,275</u>	<u>59,510</u>	<u>-</u>
Total disbursements	<u>68,297</u>	<u>-</u>	<u>8,275</u>	<u>59,510</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(66,899)</u>	<u>322</u>	<u>(8,071)</u>	<u>(59,510)</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	68,040	-	-	61,776	233
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>68,040</u>	<u>-</u>	<u>-</u>	<u>61,776</u>	<u>233</u>
Net change in cash balances	1,141	322	(8,071)	2,266	233
<u>CASH BALANCES - Beginning of year</u>	<u>141,952</u>	<u>113,344</u>	<u>112,076</u>	<u>(2,266)</u>	<u>(233)</u>
<u>CASH BALANCES - End of year</u>	\$ <u>143,093</u>	\$ <u>113,666</u>	\$ <u>104,005</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Cash Basis Fund Balances:</u>					
Unreserved:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	<u>143,093</u>	<u>113,666</u>	<u>104,005</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	\$ <u>143,093</u>	\$ <u>113,666</u>	\$ <u>104,005</u>	\$ <u>-</u>	\$ <u>-</u>

SCHEDULE 1 (Continued)

Trail Ridge Park	Sports Complex	Larson Dr. By-pass Sewer	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	314,546
-	-	-	50,689
-	-	-	275,502
-	-	-	295,233
-	-	-	935,970
-	-	-	220,360
-	-	-	194,966
20,362	146,954	255,370	602,491
20,362	146,954	255,370	1,017,817
(20,362)	(146,954)	(255,370)	(42,530)
20,362	146,954	-	446,520
-	-	-	(564,546)
20,362	146,954	-	(118,026)
-	-	(255,370)	(160,556)
-	-	-	1,090,144
\$ -	\$ -	\$ (255,370)	\$ 929,588
\$ -	\$ -	\$ -	\$ 614,455
-	-	(255,370)	315,133
\$ -	\$ -	\$ (255,370)	\$ 929,588

CITY OF HUXLEY, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water Improvement Bond, Series 2003	April 16, 2003	3.00%	\$ 500,000
Corporate Purpose Bonds	April 15, 2006	3.35% - 4.20%	465,000
Corporate Purpose Bonds	October 15, 2006	4.40% - 5.00%	6,650,000
Corporate Purpose Bonds	March 15, 2009	3.30% - 5.05%	5,800,000
Refunding Bonds	November 1, 2004	1.85% - 3.70%	3,725,000
Refunding Bonds - Series 2010A	April 29, 2010	1.00 - 1.75%	1,435,000
Corporate Purpose Bonds - Series 2010B	June 9, 2010	2.00%	310,000
Corporate Purpose Bonds - Series 2010C	June 9, 2010	4.00 - 4.85%	2,145,000
Corporate Purpose Bonds - Series 2010D	June 30, 2010	2.50 - 5.15%	6,295,000
Total			
Revenue bonds:			
Water	February 8, 2002	3.00%	1,816,000
Sewer	June 30, 2010	3.00%	6,325,000
Total			
Short-Term Debt:			
Sewer interim loan	March 7, 2008	0.00%	475,000

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 357,000	\$ -	\$ 23,000	\$ 334,000	\$ 10,710	\$ -
120,000	-	20,000	100,000	4,740	-
6,475,000	-	300,000	6,175,000	308,410	-
5,800,000	-	80,000	5,720,000	315,785	-
1,840,000	-	1,840,000	-	59,709	-
-	1,435,000	-	1,435,000	-	-
-	310,000	-	310,000	-	-
-	2,145,000	-	2,145,000	-	-
-	6,295,000	-	6,295,000	-	-
<u>\$ 14,592,000</u>	<u>\$ 10,185,000</u>	<u>\$ 2,263,000</u>	<u>\$ 22,514,000</u>	<u>\$ 699,354</u>	<u>\$ -</u>
\$ 1,297,000	\$ -	\$ 83,000	\$ 1,214,000	\$ 38,910	\$ -
-	6,325,000	-	6,325,000	105,880	-
<u>\$ 1,297,000</u>	<u>\$ 6,325,000</u>	<u>\$ 83,000</u>	<u>\$ 7,539,000</u>	<u>\$ 144,790</u>	<u>\$ -</u>
<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUXLEY, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	State Revolving Fund					
	Revenue Bonds			Revenue Bonds		
	Issued February 8, 2002			Issued August 26, 2009		
	Interest Rates	Amount		Interest Rates	Amount	Total
2011	3.00 %	\$ 86,000		3.00 %	\$ 140,000	\$ 226,000
2012	3.00	88,000		3.00	145,000	233,000
2013	3.00	91,000		3.00	150,000	241,000
2014	3.00	94,000		3.00	155,000	249,000
2015	3.00	96,000		3.00	160,000	256,000
2016	3.00	99,000		3.00	160,000	259,000
2017	3.00	102,000		3.00	165,000	267,000
2018	3.00	105,000		3.00	170,000	275,000
2019	3.00	108,000		3.00	175,000	283,000
2020	3.00	112,000		3.00	180,000	292,000
2021	3.00	115,000		3.00	190,000	305,000
2022	3.00	118,000		3.00	195,000	313,000
2023	-	-		3.00	200,000	200,000
2024	-	-		3.00	205,000	205,000
2025	-	-		3.00	210,000	210,000
2026	-	-		3.00	220,000	220,000
2027	-	-		3.00	225,000	225,000
2028	-	-		3.00	230,000	230,000
2029	-	-		3.00	240,000	240,000
2030	-	-		3.00	245,000	245,000
2031	-	-		3.00	255,000	255,000
2032	-	-		3.00	260,000	260,000
2033	-	-		3.00	270,000	270,000
2034	-	-		3.00	275,000	275,000
2035	-	-		3.00	285,000	285,000
2036	-	-		3.00	295,000	295,000
2037	-	-		3.00	300,000	300,000
2038	-	-		3.00	310,000	310,000
2039	-	-		3.00	315,000	315,000
Total		\$ 1,214,000			\$ 6,325,000	\$ 7,539,000

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose Bonds		Refunding Bonds		Corporate Purpose Bonds	
	Issued March 15, 2009		Issued April 29, 2010		Issued June 9, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.60 %	\$ -	1.00 %	\$ 485,000	2.00 %	\$ 155,000
2012	3.60	100,000	1.20	475,000	2.50	155,000
2013	3.70	100,000	1.75	475,000	-	-
2014	3.80	360,000	-	-	-	-
2015	3.95	375,000	-	-	-	-
2016	4.05	390,000	-	-	-	-
2017	4.20	405,000	-	-	-	-
2018	4.30	425,000	-	-	-	-
2019	4.50	440,000	-	-	-	-
2020	4.60	460,000	-	-	-	-
2021	4.70	485,000	-	-	-	-
2022	4.80	505,000	-	-	-	-
2023	4.90	530,000	-	-	-	-
2024	4.95	560,000	-	-	-	-
2025	5.05	585,000	-	-	-	-
2026	-	-	-	-	-	-
Total		\$ 5,720,000		\$ 1,435,000		\$ 310,000

General Obligation Bonds					
Water Improvement Bond			Corporate Purpose Bonds		
Issued April 16, 2003			Issued October 15, 2006		
Interest Rates		Amount	Interest Rates		Amount
3.00 %	\$	23,000	4.50 %	\$	395,000
3.00		24,000	4.55		425,000
3.00		25,000	4.60		455,000
3.00		26,000	4.65		530,000
3.00		26,000	4.70		560,000
3.00		27,000	4.75		590,000
3.00		28,000	4.80		630,000
3.00		29,000	4.85		680,000
3.00		30,000	4.90		450,000
3.00		31,000	4.95		485,000
3.00		32,000	5.00		530,000
3.00		33,000	5.00		445,000
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General Obligation Bonds				
Corporate Purpose Bonds		Corporate Purpose Bonds		
Issued June 9, 2010		Issued June 30, 2010		
Interest Rates	Amount	Interest Rates	Amount	Total
4.30 %	\$ -	2.50 %	\$ -	\$ 1,078,000
4.30	-	2.50	-	1,199,000
4.30	-	2.50	260,000	1,335,000
4.30	-	3.00	280,000	1,216,000
4.30	-	3.25	290,000	1,271,000
4.30	-	3.80	315,000	1,322,000
4.30	-	4.15	335,000	1,398,000
4.30	-	4.35	360,000	1,494,000
4.30	230,000	4.60	385,000	1,535,000
4.00	240,000	4.65	415,000	1,631,000
4.10	250,000	4.75	440,000	1,737,000
4.20	260,000	4.85	2,005,000	3,248,000
4.25	270,000	4.95	290,000	1,090,000
4.30	285,000	5.00	295,000	1,140,000
4.40	300,000	5.05	305,000	1,190,000
4.85	310,000	5.15	320,000	630,000
	\$ 2,145,000		\$ 6,295,000	\$ 22,514,000

CITY OF HUXLEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS

FOR THE LAST SEVEN YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>RECEIPTS:</u>				
Property tax	\$ 504,925	\$ 521,709	\$ 416,132	\$ 339,290
Tax increment financing	1,809,929	1,401,757	1,345,159	1,556,180
Other City tax	441,883	471,286	443,409	404,126
Licenses and permits	102,388	41,556	50,262	70,590
Use of money and property	120,538	121,394	150,843	216,214
Intergovernmental	390,224	516,318	621,149	448,215
Charges for service	182,824	132,806	158,820	194,608
Miscellaneous	501,787	282,877	172,928	837,137
Total	\$ <u>4,054,498</u>	\$ <u>3,489,703</u>	\$ <u>3,358,702</u>	\$ <u>4,066,360</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public safety	\$ 490,676	\$ 465,675	\$ 482,646	\$ 389,463
Public works	273,784	296,437	297,981	376,101
Health and social services	6,444	9,178	4,725	6,212
Culture and recreation	522,903	555,495	504,748	439,898
Community and economic development	853,009	285,585	196,960	124,188
General government	331,736	328,393	317,211	468,144
Debt service	2,965,121	3,577,542	1,589,192	1,263,068
Capital projects	9,359,577	1,851,598	3,327,782	3,957,667
Total	\$ <u>14,803,250</u>	\$ <u>7,369,903</u>	\$ <u>6,721,245</u>	\$ <u>7,024,741</u>

SCHEDULE 4

<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 348,687	\$ 334,144	\$ 327,945
1,391,187	1,374,213	1,256,304
332,421	275,023	257,696
95,823	34,993	10,278
57,707	38,952	27,703
423,630	466,595	461,985
201,695	201,695	224,594
195,931	195,931	157,580
\$ <u>3,047,081</u>	\$ <u>2,921,546</u>	\$ <u>2,724,085</u>
\$ 485,408	\$ 579,136	\$ 573,322
334,468	172,008	163,792
9,150	10,070	6,470
420,765	423,321	390,593
401,808	332,313	328,821
351,975	282,191	241,381
698,250	499,620	791,258
1,771,258	158,420	224,306
\$ <u>4,473,082</u>	\$ <u>2,457,079</u>	\$ <u>2,719,943</u>



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

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April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 18, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Huxley, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Huxley, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Huxley, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huxley, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Huxley, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Huxley, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Huxley, Iowa and other parties to whom the City of Huxley, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
February 18, 2011

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

- II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash is received and recorded by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-10 Preparation of Financial Statements - A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part III: Other Findings Related to Required Statutory Reporting

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be properly amended in the future, if applicable.

Conclusion – Response accepted.

III-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keith Vitzthum, Water Superintendent Owner of JV Tree Service	Rent	\$ 150

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Water Superintendent do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. During the course of our audit, we noted three instances where the claims approved by the council were not published.

Recommendation – The City should review its procedures to make sure all claims are published in accordance with Chapter 372 of the Code of Iowa.

Response – This was an oversight. We will make sure all claims are published along with a summary of receipts.

Conclusion – Response accepted.

III-G-10 Financial Condition – Note 10 to the financial statements reported deficit fund balances at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – We are aware of the deficit balances. See Note 10 for further explanation.

Conclusion – Response accepted.

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-H-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investments policy were noted.
- III-I-10 Revenue Bonds and Notes – No instances of noncompliance with the revenue bond and note resolutions were noted.
- III-J-10 Excess Balances – It was noted that the Special Revenue Fund, Tax Increment Financing Account (TIF) had a balance at June 30, 2010 in excess of one year's expenditures.

Recommendation – The City should review this cash balance.

Response – We have reviewed this cash balance and it will be utilized to reimburse project accounts in the TIF district, mainly the new water treatment plant.

Conclusion – Response accepted.